

Message Text

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21

ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01 USIA-06

FEA-01 INT-05 OES-03 /093 W
----- 092678

R 301952Z JAN 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0232

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EMIN, EIND, RP

SUBJECT: REYNOLDS ALUMINUM PLANT CONSTRUCTION IN PHILIPPINES

1. REYNOLDS ALUMINUM HAS INFORMED EMBASSY THAT CONTRACT WAS SIGNED JANUARY 29 BETWEEN EX-AMBASSADOR WALTER RICE, ON BEHALF OF REYNOLDS, AND SECRETARY OF INDUSTRY VICENTE PATERNO, ON BEHALF OF PHILIPPINE GOVERNMENT. CONTRACT, WHICH RICE ESTIMATED TO BE WORTH ABOUT \$250 MILLION, PROVIDES FOR THE CONSTRUCTION OF AN ALUMINA PLANT, PROBABLY IN SAMAR, WHICH WILL BE OWNED 60 PERCENT BY PHILIPPINE GOVERNMENT AND 40 PERCENT BY REYNOLDS.

2. PHILIPPINE GOVERNMENT UNDERTAKES TO "ARRANGE FOR" THE ACQUISITION OF ALL CURRENT CLAIMS TO BAUXITE DEPOSITS ON ISLAND OF SAMAR AND THEIR TRANSFER TO A SEPARATE ENTITY, WHICH WILL PROBABLY BE 30 PERCENT OWNED BY REYNOLDS AND 70 PERCENT BY UNSPECIFIED SPECIFIED PHILIPPINE INTERESTS. THIS
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BAUXITE, TO THE EXTENT NECESSARY FOR THE OPERATION OF

THE ALUMINA PLANT, WILL BE "DEDICATED" FOR FORTY YEARS TO THE REYNOLDS OPERATION.

3. CONTRACT FURTHER PROVIDES THAT REYNOLDS MAY PULL OUT OF AGREEMENT WITHIN ONE YEAR IF BAUXITE AVAILABILITY NOT APPROPRIATELY ARRANGED BY GOP. HOWEVER, CURRENT REYNOLDS THINKING IS THAT ALUMINA OPERATIONS WOULD PROBABLY, IN FIRST INSTANCE, BEGIN WITH BAUXITE SUPPLIES IMPORTED FROM NORTHERN AUSTRALIA. MUCH OF REYNOLDS DECISION ON NATURE OF OPERATION WILL DEPEND OF ASSAY OF BAUXITE DEPOSITS ON SAMAR, THROUGH JOINT SURVEY TO BE CONDUCTED NEXT MONTH BY REYNOLDS GEOLOGISTS IN CONJUNCTION WITH GOP BUREAU OF MINES.

4. THIS INVESTMENT BY REYNOLD CONSTITUTES ONLY HALF OF ORIGINAL INTENTION EXPRESSED BY LOUIS REYNOLDS WHEN HE ARRIVED HERE LAST WEEK. AT THAT TIME, HE WAS INTERESTED IN ESTABLISHING COPPER SMELTER, AS WELL AS ALUMINA PLANT. HIS CONCRETE INTEREST, EXPRESSED TO PRESIDENT MARCOS, BECAME CATALYST FOR FINAL AGREEMENT BETWEEN JESUS CABARRUS AND LEPANTO MINING FOR CONSTRUCTION OF A COPPER SMELTER, PROBABLY IN NEGROS, WHICH WOULD HANDLE CONCENTRATE FROM MARINDUQUE, MARCOPPER, LEPANTO, AND ONE OR TWO SMALLER MINES. THIS SMELTER, WHICH IS PLANNED IN 80,000 TON RANGE, WILL COMPLEMENT THE 110,000 TON SMELTER WHICH ATLAS INTENDS TO BUILD IN CEBU AND SHOUL MAKE THE PHILIPPINES INDEPENDENT OF JAPANESE COPPER SMELTING DOMINATION BEFORE THE END OF 1977, IF CONSTRUCTION PROCEEDS ON SCHEDULE.
SULLIVAN

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